

SUBSTANCE ABUSE SERVICES CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
AND  
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER  
JUNE 30, 2010 AND 2009

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Avenarius	President	June 2011
Clifford Bunting	Vice-President	June 2011
Jack Young	Secretary	June 2011
Leo Hickie III	Treasurer	June 2011
Steve Eastvedt	Member	June 2012
Gregory Egan	Member	June 2012
Sheila Freiburger	Member	June 2011
Lou Fuller	Member	June 2012
Peggy Petlon	Member	June 2013
Dorothy Schlueter	Member	June 2011
Traci Suarez	Member	June 2011
Jerome Thomas	Member	June 2011
Diane Thomas	Executive Director	Indefinite

## Independent Auditors' Report

To the Board of Directors  
Substance Abuse Services Center

We have audited the accompanying statements of financial position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Substance Abuse Services Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2010, on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
October 11, 2010

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

Assets	2010	2009
Current Assets:		
Cash	\$ 568,889	\$ 485,542
Certificates of Deposit	45,709	155,132
Accounts receivable, less allowance for doubtful accounts - 2010 \$9,562 and 2009 \$6,362	20,349	22,253
Prepaid expenses	39,640	34,498
Grants receivable	126,450	105,528
Total Current Assets	<u>\$ 801,037</u>	<u>\$ 802,953</u>
Property and Equipment:		
Leasehold improvements	\$ 311,959	\$ 53,336
Office furniture and equipment	162,705	170,313
Accumulated depreciation and amortization	(137,958)	(202,416)
Net Property and Equipment	<u>\$ 336,706</u>	<u>\$ 21,233</u>
Total Assets	<u><u>\$ 1,137,743</u></u>	<u><u>\$ 824,186</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 10,823	\$ 22,256
Accrued salaries	7,094	6,508
Compensated absences	37,150	25,535
Current maturities long-term debt	53,909	-0-
Total Current Liabilities	<u>\$ 108,976</u>	<u>\$ 54,299</u>
Long-Term Liabilities:		
Note payable - bank	\$ 134,567	\$ -0-
Less current portion	(53,909)	-0-
Total Long-Term Liabilities	<u>\$ 80,658</u>	<u>\$ -0-</u>
Net Assets:		
Net Assets - Undesignated	\$ 909,921	\$ 733,030
Net Assets - Board Designated for Suta Claims	38,188	36,857
Total Net Assets	<u>\$ 948,109</u>	<u>\$ 769,887</u>
Total Liabilities and Net Assets	<u><u>\$ 1,137,743</u></u>	<u><u>\$ 824,186</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>PUBLIC SUPPORT AND REVENUE</u>		
Public Support:		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 582,149	\$ 532,438
Managed Care-Federal Funds	281,590	207,059
Access To Recovery	82,484	74,597
United Way	24,000	24,998
Cities	14,813	14,455
Schools	15,948	21,084
Drug court	45,900	39,553
Gambling Grant	367,516	368,946
OWI III Contract	17,240	25,717
Dubuque Racing Association Grant	7,000	-0-
U.S. Probation Office - Probation Service	10,976	19,293
Federal Bureau of Prisons	9,466	34,339
Other Public Support	-0-	5,279
Total Public Support	<u>\$ 1,459,082</u>	<u>\$ 1,367,758</u>
Revenue:		
Client Fees	\$ 189,069	\$ 186,626
Third Party Pay	198,886	174,553
Interest on Investments	5,919	12,355
Miscellaneous	6,431	6,418
Gain on sale of property and equipment	861	-0-
Total Revenue	<u>\$ 401,166</u>	<u>\$ 379,952</u>
Total Public Support and Revenue	<u>\$ 1,860,248</u>	<u>\$ 1,747,710</u>
<u>EXPENSES</u>		
Program Services	\$ 1,432,352	\$ 1,374,392
Support Services	249,674	255,257
Total Expenses	<u>\$ 1,682,026</u>	<u>\$ 1,629,649</u>
Change in Net Assets	\$ 178,222	\$ 118,061
Net Assets Beginning of Year	769,887	651,826
Net Assets End of Year	<u>\$ 948,109</u>	<u>\$ 769,887</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 635,626	\$ 114,616	\$ 23,609	\$ 69,987	\$ 843,838	\$ 104,813	\$ 948,651
Benefits & taxes	179,424	34,676	6,035	18,933	239,068	28,047	267,115
Total Salaries & Related Expenses	\$ 815,050	\$ 149,292	\$ 29,644	\$ 88,920	\$ 1,082,906	\$ 132,860	\$ 1,215,766
Rent	74,235	12,599	1,045	11,921	99,800	6,934	106,734
Supplies & printing	30,789	2,058	304	1,738	34,889	5,197	40,086
Insurance	6,460	693	132	483	7,768	579	8,347
Postage	1,700	298	30	159	2,187	196	2,383
Dues & subscriptions	68	10	1	8	87	4,187	4,274
Business travel	4,679	8,435	1,532	14,801	29,447	6,893	36,340
Conferences & travel	6,471	1,792	356	1,158	9,777	541	10,318
Contract services	42,747	17,163	291	4,616	64,817	44,015	108,832
Telephone	12,686	2,339	234	1,873	17,132	4,600	21,732
Advertising	481	1,542	14	1,509	3,546	87	3,633
Small equipment & repair	5,132	578	29	316	6,055	998	7,053
Bad debts	3,573	-0-	-0-	-0-	3,573	-0-	3,573
Utilities	2,127	355	27	237	2,746	188	2,934
Access to Recovery expenses	37,627	-0-	-0-	-0-	37,627	-0-	37,627
Depreciation	-0-	-0-	-0-	-0-	-0-	24,619	24,619
Interest	-0-	-0-	-0-	-0-	-0-	3,426	3,426
Miscellaneous	16,261	8,262	264	5,208	29,995	14,354	44,349
Total Expenses	<u>\$ 1,060,086</u>	<u>\$ 205,416</u>	<u>\$ 33,903</u>	<u>\$ 132,947</u>	<u>\$ 1,432,352</u>	<u>\$ 249,674</u>	<u>\$ 1,682,026</u>

See accompanying notes to financial statements.



SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services			Linn/Clinnton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 612,898	\$ 112,801	\$ 25,922	\$ 52,581	\$ 804,202	\$ 105,182	\$ 909,384
Benefits & taxes	150,190	25,110	5,748	12,872	193,920	18,864	212,784
Total Salaries & Related Expenses	\$ 763,088	\$ 137,911	\$ 31,670	\$ 65,453	\$ 998,122	\$ 124,046	\$ 1,122,168
Rent	66,843	10,995	837	7,960	86,635	5,537	92,172
Supplies & printing	35,121	6,146	398	9,773	51,438	1,260	52,698
Insurance	5,598	945	236	645	7,424	464	7,888
Postage	3,093	575	32	273	3,973	288	4,261
Dues & subscriptions	584	380	2	16	982	6,430	7,412
Business travel	4,178	12,108	2,173	10,542	29,001	7,514	36,515
Conferences & travel	5,286	2,623	1	1,623	9,533	1,989	11,522
Contract services	54,425	13,006	121	9,470	77,022	46,236	123,258
Telephone	11,111	1,839	137	1,509	14,596	6,239	20,835
Advertising	818	1,580	12	1,106	3,516	76	3,592
Small equipment & repair	4,209	2,713	114	1,644	8,680	741	9,421
Bad debts	3,134	-0-	-0-	-0-	3,134	-0-	3,134
Utilities	2,502	432	30	232	3,196	197	3,393
Access to Recovery Expenses	48,404	-0-	-0-	-0-	48,404	-0-	48,404
Depreciation	-0-	-0-	-0-	-0-	-0-	13,849	13,849
Miscellaneous	15,219	6,852	183	6,482	28,736	40,391	69,127
Total Expenses	<u>\$ 1,023,613</u>	<u>\$ 198,105</u>	<u>\$ 35,946</u>	<u>\$ 116,728</u>	<u>\$ 1,374,392</u>	<u>\$ 255,257</u>	<u>\$ 1,629,649</u>

See accompanying notes to financial statements.

# SUBSTANCE ABUSE SERVICES CENTER

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 389,859	\$ 365,681
Cash received from grants	1,438,160	1,323,150
Cash received from others	6,431	6,418
Interest received	5,456	10,726
Cash paid to employees and suppliers	(1,661,781)	(1,646,648)
Net Cash Provided By Operating Activities	\$ 178,125	\$ 59,327
Cash Flows From Investing Activities:		
Redemption of Certificates of Deposit	\$ 112,019	\$ 55,359
Interest re-invested	(2,133)	(5,773)
Purchase of leasehold improvements	(303,405)	-0-
Purchases of property and equipment	(36,911)	-0-
Proceeds from sale of assets	1,085	-0-
Net Cash Used From Investing Activities	\$ (229,345)	\$ 49,586
Cash Flows From Financing Activities:		
Proceeds from bank debt	\$ 142,000	\$ -0-
Reduction of bank debt	(7,433)	-0-
Net Cash Provided By Financing Activities	\$ 134,567	\$ -0-
Net Increase (Decrease) in Cash and Equivalents	\$ 83,347	\$ 108,913
Cash and Equivalents at Beginning of Year	485,542	376,629
Cash and Equivalents at End of Year	<u>\$ 568,889</u>	<u>\$ 485,542</u>

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(CONTINUED)

Reconciliation of Changes in Net Assets to Net Cash  
from Operating Activities

	2010	2009
Changes in Net Assets	\$ 178,222	\$ 118,061
Adjustments:		
Depreciation	\$ 24,619	\$ 13,849
Non cash adjustment	(463)	(1,629)
Gain on sale of property and equipment	(861)	-0-
Changes in Assets and Liabilities:		
(Increase)Decrease in patient accounts receivable	1,904	4,502
(Increase) decrease in prepaid expenses	(5,142)	(22,261)
(Increase) Decrease in grants receivable	(20,922)	(44,608)
Increase (Decrease) in accounts payable	(11,433)	6,262
Increase (Decrease) in accrued salaries	586	491
Increase (Decrease) in accrued expenses	11,615	(15,340)
	\$ (97)	\$ (58,734)
Net cash Provided By Operating Activities	\$ 178,125	\$ 59,327
Non Cash Investing and Financing Activities:		
Interest earned added directly to		
Certificates of Deposit	\$ 463	\$ 1,629
Interest paid	\$ 3,426	\$ -0-

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide all people with quality counseling, education, and support services for alcohol, drugs, and gambling concerns.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2010 and 2009.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-15 years.

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2010 and 2009 was \$3,633 and \$3,592 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Subsequent Events

Subsequent events have been evaluated through October 11, 2009, which is the date the financial statements were available to be issued.

# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009 (CONTINUED)

### (2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Leasehold Improvements	\$ 53,336	\$ 303,405	\$ 44,782	\$ 311,959
Office Equipment	169,873	36,911	44,079	162,705
Education Equipment	440	-0-	440	-0-
Total	<u>\$ 223,649</u>	<u>\$ 340,316</u>	<u>\$ 89,301</u>	<u>\$ 474,664</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$24,619 and \$13,849 respectively.

### (3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$12,640 and \$10,486 relating to the matching of employee contributions for the years ended June 30, 2010 and 2009 respectively.

### (4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. There was an addendum to the lease for an additional 1,600 square feet of office space effective on July 1, 2009 and ending on June 30, 2014. The monthly lease payment for these two parcels is \$6,577.34.

Substance Abuse Services Center has agreed to an addendum to the original lease with Banner Investments for the rental of 339 square feet. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payment is \$166.68. All leases have 3 five year renewal options with rent increases of 5% at each renewal period.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2006 and ending August 31, 2011 with a monthly lease payment of \$1,770. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

Substance Abuse Services Center entered into a lease agreement with Referral & Services Center for office space in Dewitt, Iowa. The lease term is on a month to month basis at a rate of \$100 per month.

Substance Abuse Services Center entered into a lease agreement with BRB Investments for 442 sq. ft. of office space in Cedar Rapids, Iowa. The lease term is one year commencing on July 1, 2010. The monthly lease payment is \$495.

Rental expense for the years ended June 30, 2010 and 2009 was \$106,734 and \$92,172 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Cedar Rapids</u>	<u>Total</u>
2011	\$ 21,240	\$ 80,928	\$ 5,940	\$ 108,108
2012	3,540	80,928	-0-	84,468
2013	-0-	80,928	-0-	80,928
2014	-0-	80,928	-0-	80,928
2015	-0-	-0-	-0-	-0-
	<u>\$ 24,780</u>	<u>\$323,712</u>	<u>\$ 5,940</u>	<u>\$ 354,432</u>



# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009 (CONTINUED)

### (5) Notes Payable:

The Agency remodeled the leased office space located at 799 Main Street, Suite 222, Dubuque, IA for \$303,405. The Agency financed \$142,000 of the expenditure with a \$150,000 line-of-credit note from First State Bank. The note was issued on January 29, 2010 and matures on November 13, 2012. The fixed interest rate on the note is 4.5% and has scheduled monthly principal and interest payments of \$2,000. According to the Substance Abuse Services Center's Director, the Board intends to pay back the loan before it comes due. At the time of this report, the Board has approved a September, 2010, additional principal payment of \$32,982 and plan to discuss additional principal payments in the November and December board meetings.

Based on the above information, the breakdown of the Board of Director's planned Current versus Long-Term portion of the note is estimated as follows:

Current Portion	\$ 53,909
Long-Term Portion	<u>80,658</u>
Total	<u>\$ 134,567</u>

### (6) Grants Receivable

Grants Receivable at June 30, 2010 and 2009 are composed of the following:

	<u>2010</u>	<u>2009</u>
Iowa Department of Correctional Services	\$ 900	\$ 1,830
Iowa Department of Correction Services - Drug Court	3,825	3,915
United States Probation Office	3,042	4,499
Iowa Department of Public Health - Gambling Treatment	55,676	44,693
Iowa Department of Public Health - Access to Recovery	8,600	10,813
Iowa Department of Public Health - Gambling - Linn Co.	50,903	39,528
Dubuque Community Schools	-0-	250
City of Dubuque	<u>3,504</u>	<u>-0-</u>
	<u>\$ 126,450</u>	<u>\$ 105,528</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(CONTINUED)

(7) Board Designated Net Assets

Board Designated net assets at June 30, 2010 and 2009 include the following:

SUTA Claims Account	<u>\$ 38,188</u>	<u>\$ 36,857</u>
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(8) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(9) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 46.4% and 42.3% of total revenue for the years ended June 30, 2010 and 2009 respectively

SUBSTANCE ABUSE SERVICES CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
Administrative Office of the United States Courts:			
Federal Bureau of Prisons	BPA 0862-10-33	----	\$ 9,466
United States Probation Office			
Probation Services Contract	BPA 086-10-33	----	<u>10,976</u>
Total Direct			<u>\$ 20,442</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and Mental Health Block Grant - Managed Care		93.959	<u>\$ 281,590</u>
Total Indirect			<u>\$ 281,590</u>
Total			<u><u>\$ 302,032</u></u>

Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors  
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October , 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of Management, the Board of Directors, others within the entity, and federal awarded agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
October 11, 2010

